



# Q1 report 2020

## Press and analyst presentation

29 April 2020

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# In brief

Strong sales growth in stores and online

EBIT increased in all segments except ICA Bank

Extensive activity to support and facilitate during covid-19 pandemic



# Strong quarter defined by covid-19

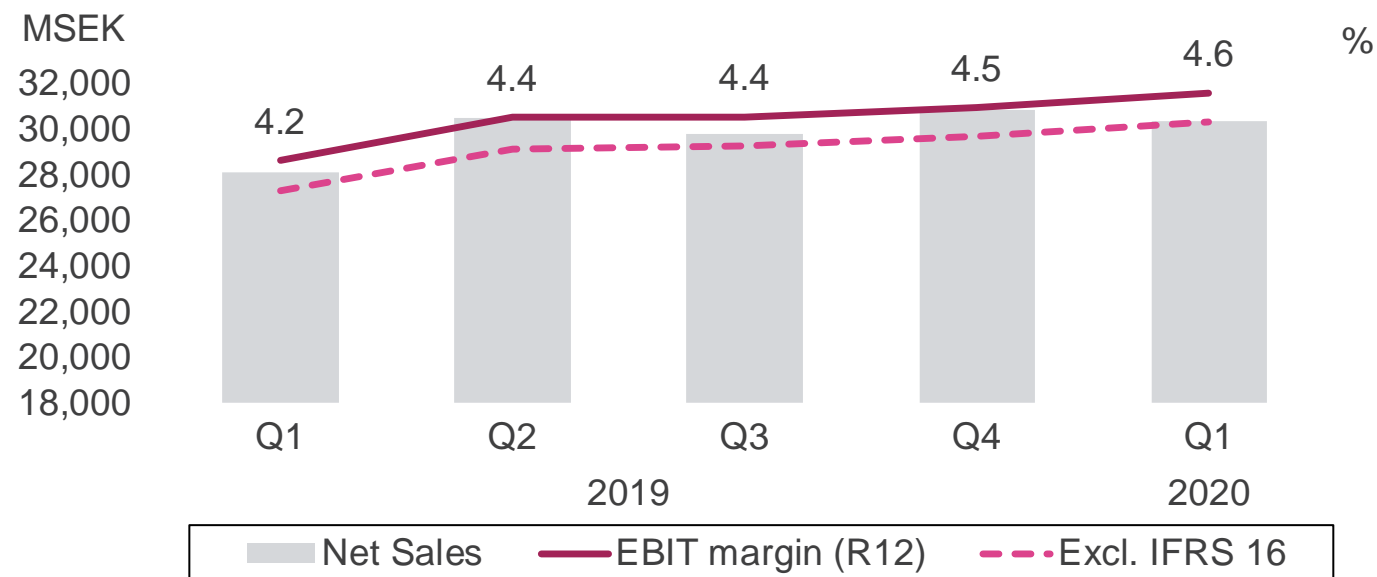
- Net sales growth local currency +8.5%, (including Hemtex adj.)
- Leap day effect +0.7%, covid-19 +2.9%
- EBIT growth +14.4% (including Hemtex adj.)
- Covid-19 impact on EBIT approx. MSEK +50

## Events

- ICA Real Estate's acquisition of the logistics property in Västerås for net SEK 1 billion concluded
- Anna Nyberg new CEO of ICA Real Estate from August 17
- AGM approved the Board's changed dividend proposal of SEK 6/share. Intention to have an Extraordinary General Meeting decide on a second payment of SEK 6/share in the autumn

MSEK	Q1 2020	Q1 2019	Change %
Net sales	30,366	28,098	8.1
EBIT	1,310	1,125	16.5
EBIT Margin	4.3%	4.0%	0.3 pp

## Net sales and EBIT margin R12



EBIT equals "EBIT excluding items affecting comparability" on all slides in this presentation.  
As of January 1, 2019, ICA Gruppen reports in accordance with IFRS 16.

# Covid-19 hoarding sales impacted by store network structure

## Store sales and market in Q1

ICA store sales growth of +8.2%,  
comparable stores +8.0%

- Higher average buy in March
- Increased number of customers due to Leap day

Price and calendar effect +3.7% (price  
effect +2.6%, calendar effect +1.0%).

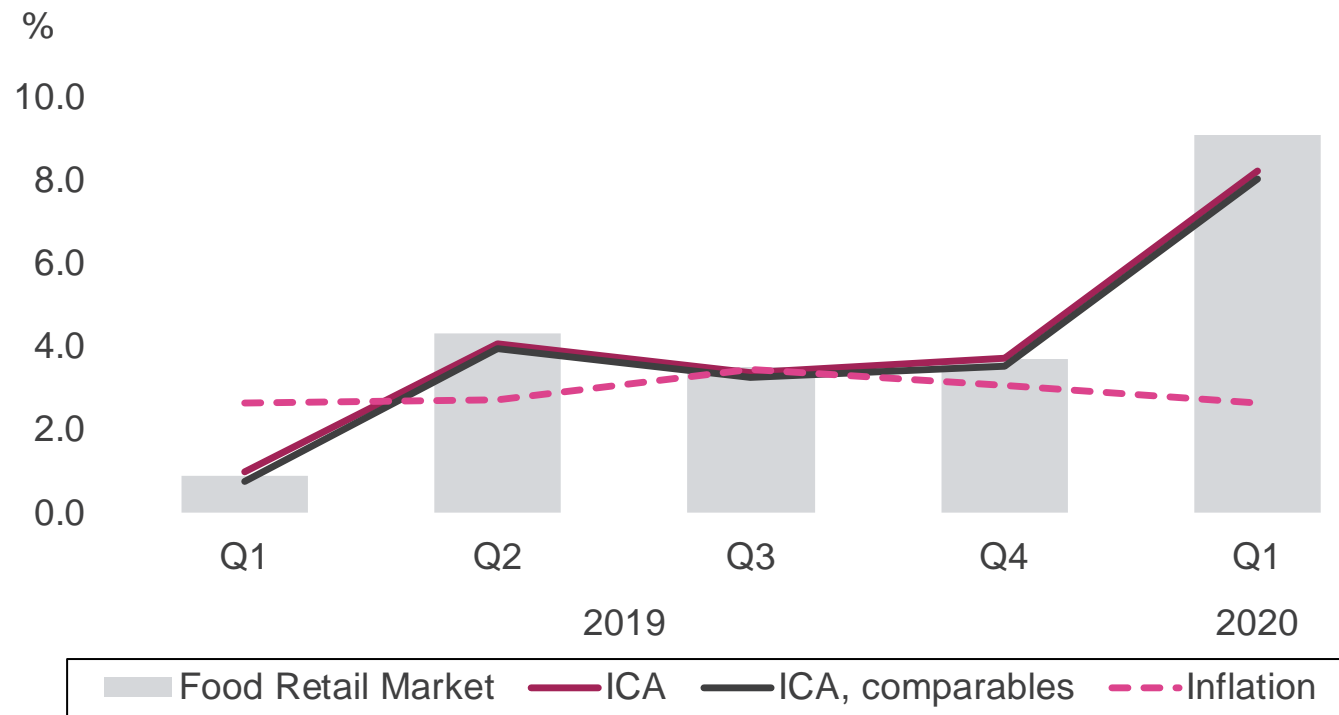
Market growth according to DVI\* +9.1%

ICA Online sales growth +34%

Market growth (DVI) +27%

Establishments Q1: 3 new stores

## Sales development for ICA stores in Sweden (incl. VAT)



# Different covid-19 effects across the countries

## Store sales and market in Q1

Rimi store sales +6.1%, comparable sales +4.2%. Increased average buy, reduced number of store visits in March

- Comparable store sales:

- Estonia +1.5%
- Latvia +3.9%
- Lithuania +7.8%

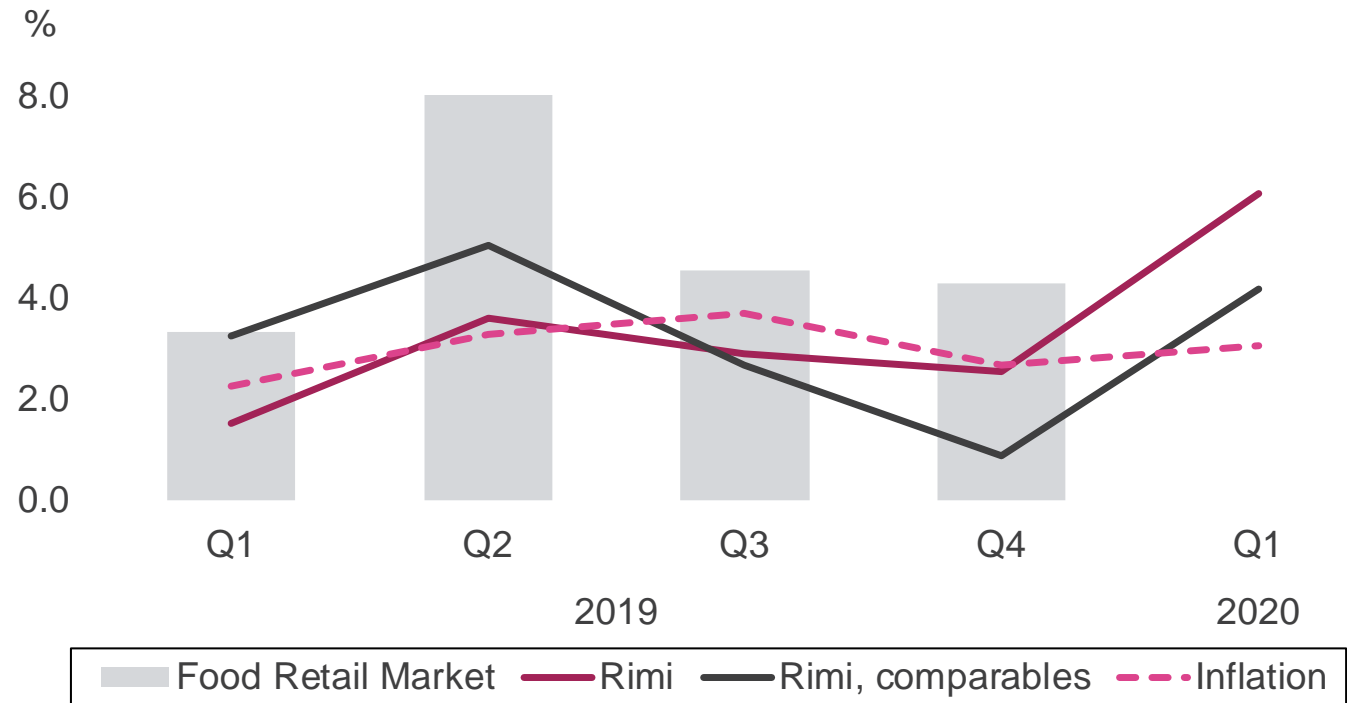
### Food inflation +3.1%

- Estonia +1.2%
- Latvia +3.1%
- Lithuania +4.1%

High demand in online shopping in March. Launch of e-commerce in Lithuania in March and Estonia in April

Establishments Q1: 2 new stores

## Sales development for Rimi Baltic stores



# Sales growth in line with market

## Store sales and market in Q1

Apotek Hjärtat store sales growth  
+11.4%

- Prescription +11.7%
- OTC +12.1%
- Traded goods +9.5%

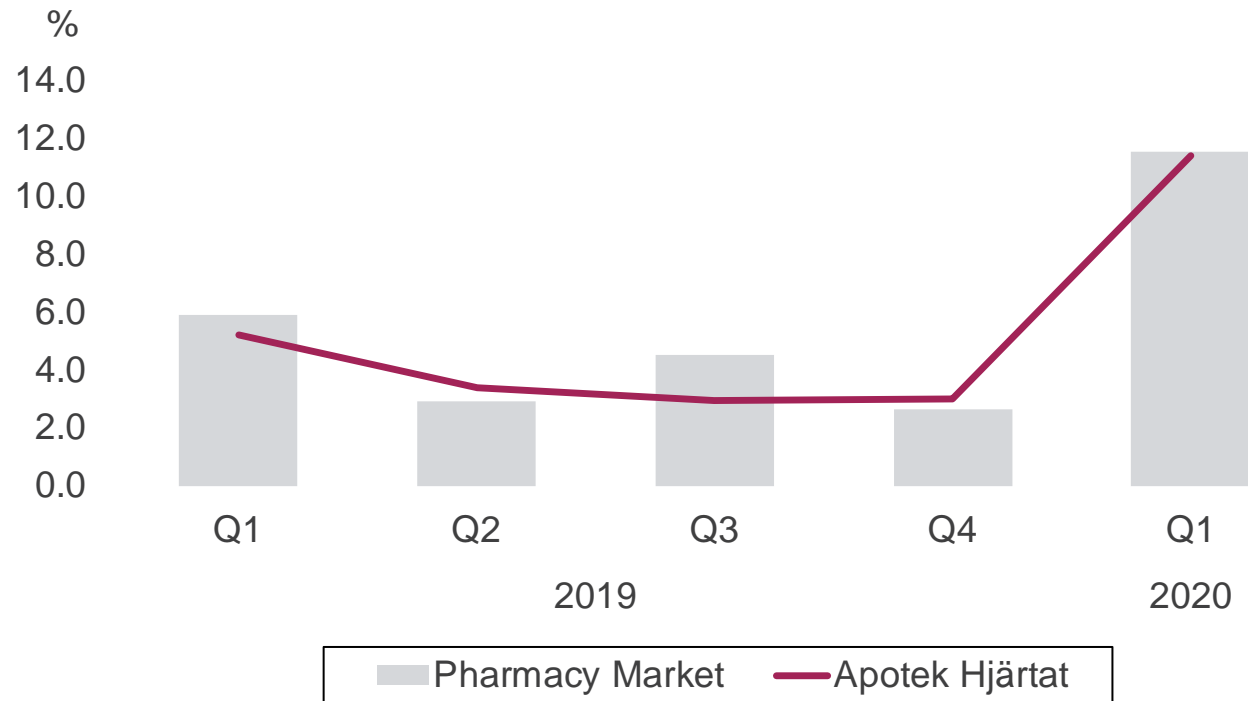
Market growth of +11.6%

- Prescription +10.6%
- OTC +16.3%
- Traded goods +13.3%

Online sales growth Apotek Hjärtat  
+53%, market +48%

Establishments in Q1: 1 new pharmacy

## Sales development for Apotek Hjärtat pharmacies



# Highlights

# Measures taken to protect employees and customers in stores and pharmacies

- Safety and well-being of employees and customers is our foremost priority
- Many in-store initiatives to prevent the spread of covid-19
  - Plexiglass shields and protective screen at checkouts
  - Floor markings to help keep a safe distance
  - Increased cleaning in stores
  - Hand sanitisers placed around stores
- Time slots and capacity in online shopping reserved solely for high-risk groups
- Employees in offices encouraged to work from home





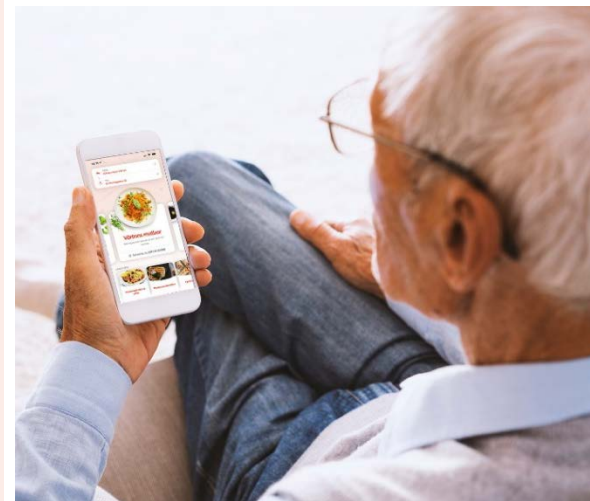
# Initiatives taken to support society in covid-19 situation

## Sweden

- Cooperation with ICA, Apotek Hjärtat and Red Cross to deliver food and medicine to high-risk groups
- ICA facilitates for small-scale producers to sell their products in ICA stores
- Meal app ICA Pronto facilitates shopping for high-risk groups
- Many local initiatives from individual retailers

## The Baltics


- Earlier launch of e-commerce
- Food packs to emergency service staff



# New group target

## – Climate beyond neutrality

- **ICA will achieve at least a zero net climate impact in its own operations by 2030**
  - Continue decreasing remaining greenhouse gas emissions and invest in creating plus items, such as through production of renewable energy
- **ICA will cut the climate impact of customers' grocery purchases in half by 2030**
  - Inspire and support customers by making shifts in the product range, reducing food waste and improving production methods for a lower environmental and climate impact
- **ICA's suppliers will adopt science-based climate targets by 2025\*\***
  - We take responsibility for the production of the products sold in our stores



Decrease  
in emissions  
compared with 2006

**-68%**

Data is rolling 12 months  
(Q1 2019- Q1 2020)

# Financials

# Large volume impact fuelled by hoarding in March

Net sales +8.1%

- Adjusted for Hemtex divestment and currency +8.5%
- Volume up across all segments - but also price/mix, especially in Rimi Baltic

EBIT improving in all segments except ICA Bank

- Largely due to sales volume
- Investments in e-commerce and digitalisation continue

Cash flow improving with the sales boost

EPS better, in line with EBIT and finance net improvement

MSEK	Q1 2020	Q1 2019	Change %
Net Sales	30,366	28,098	8.1
EBIT	1,310	1,125	16.5
EBIT margin %	4.3%	4.0%	0.3 pp
Cash flow <sup>1</sup>	2,009	1,609	24.8
Earnings per share (SEK)	4.83	4.02	20.1

<sup>1</sup> Cash flow from operating activities excl. ICA Bank



# EBIT variance analysis Q1 (estimate)

	MSEK
<b>EBIT Q1 2019</b>	<b>1,125</b>
Sales Volume	240
Margin	160
Store costs	-69
Other costs	-165
Acquisition/Divestment related effects	20
<b>EBIT Q1 2020</b>	<b>1,310</b>





# Exceptional sales impact and stable margins

Net sales growth +8.3%

- Price, increased wholesale volume - mainly in March. Covid-19 effect 3.0% in Q1
- Leap day, 0.6% sales effect
- Strong online growth

Strong EBIT development, approx. +35 MSEK covid-19 effect, Leap day MSEK +15

- + Sales volume growth
- + L&D efficiency
- + PL sales
- High pressure on online operations
- Investing in business development and new competencies

MSEK	Q1 2020	Q1 2019	Change %
Net sales	21,430	19,793	8.3
EBIT	916	825	11.0
EBIT Margin	4.3%	4.2%	0.1 pp



# Net sales growing, margins stable

Net sales growth +8.6%

- Growth in local currency +6.2%
- Covid-19 effect in March +1pp
- Leap day calendar effect +1.3%

Slightly lower EBIT margin, covid-19 effect in aggregate insignificant

- + Price and volume growth
- + Improved PL margin and campaign efficiency
- Various covid-19 related costs
- Store costs – store network changes and salaries
- Advertising and launch of e-commerce

MSEK	Q1 2020	Q1 2019	Change %
Net sales	4,098	3,774	8.6
EBIT	152	145	5.2
EBIT Margin	3.7%	3.8%	-0.1 pp



# Substantial covid-19 hoarding effects

Sales growth +12.5%

- Mainly volume. Covid-19 sales impact +5.7%
- High increase in online sales, +53%

EBIT and EBIT margin up. Covid-19 effect approx. MSEK +35

- + Sales volume
- Logistic costs and shrink
- Marketing, store and e-commerce costs
- Min Doktor EBIT effect MSEK -9

MSEK	Q1 2020	Q1 2019	Change %
Net sales	4,087	3,634	12.5
EBIT	130	96	35.1
EBIT Margin	3.2%	2.6%	0.5 pp





# A strong quarter

Net sales higher

- Largely various price effects

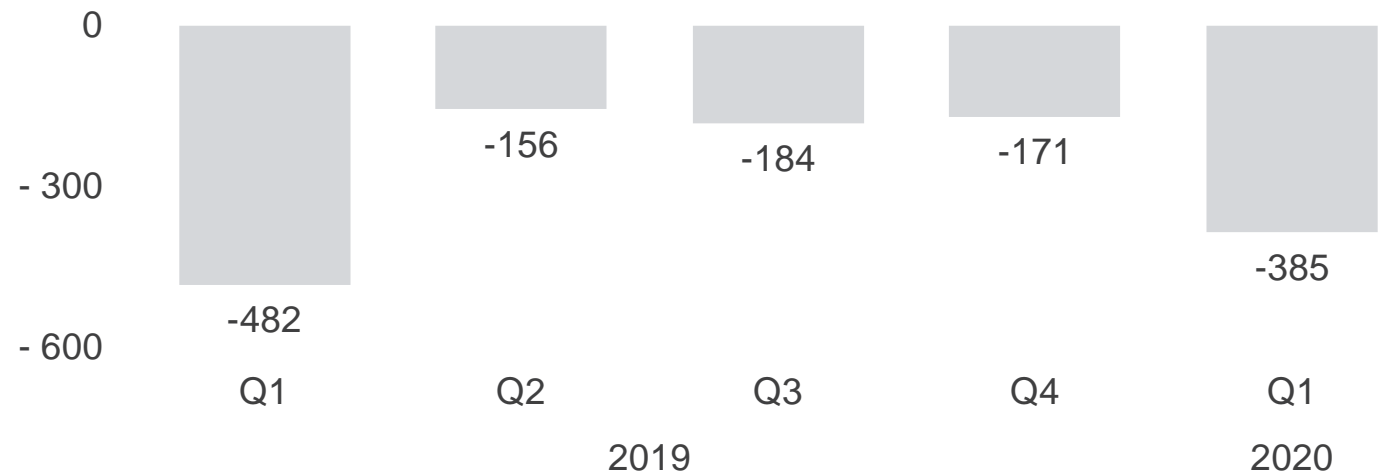
Improved EBIT

- + Increased rent income
- + Higher JV income
- + Operating costs lower, mainly seasonal effect and timing

DC acquisition impact in 2020 EBIT  
MSEK +35 (8 months)

MSEK	Q1 2020	Q1 2019	Change %
Net sales	700	676	3.7
<i>whereof owned properties</i>	276	265	4.3
Net Yield	6.9%	6.6%	0.3 pp
EBIT	142	109	30.1
EBIT Margin	20.3%	16.2%	4.1 pp

## Net Investments



# A good quarter, but credit losses affected by covid-19

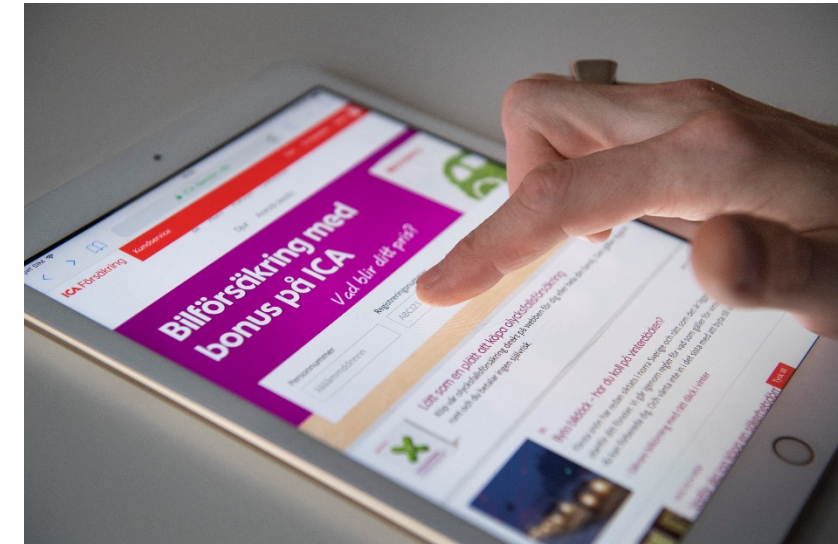
Continued good growth in net income

- Increased repo-rate, customer loans
- Continued growth in ICA Insurance

Significantly lower EBIT

- + Volume growth, loans and insurances
- + Net interest – higher repo rate
- Credit losses covid-19 impact MSEK -26
- ICA Insurance - LY one-off claims provisions MSEK +10

MSEK	Q1 2020	Q1 2019	Change %
Net income	417	370	12.6
EBIT	17	39	-56.2
Business Volume	48,924	47,645	2.7

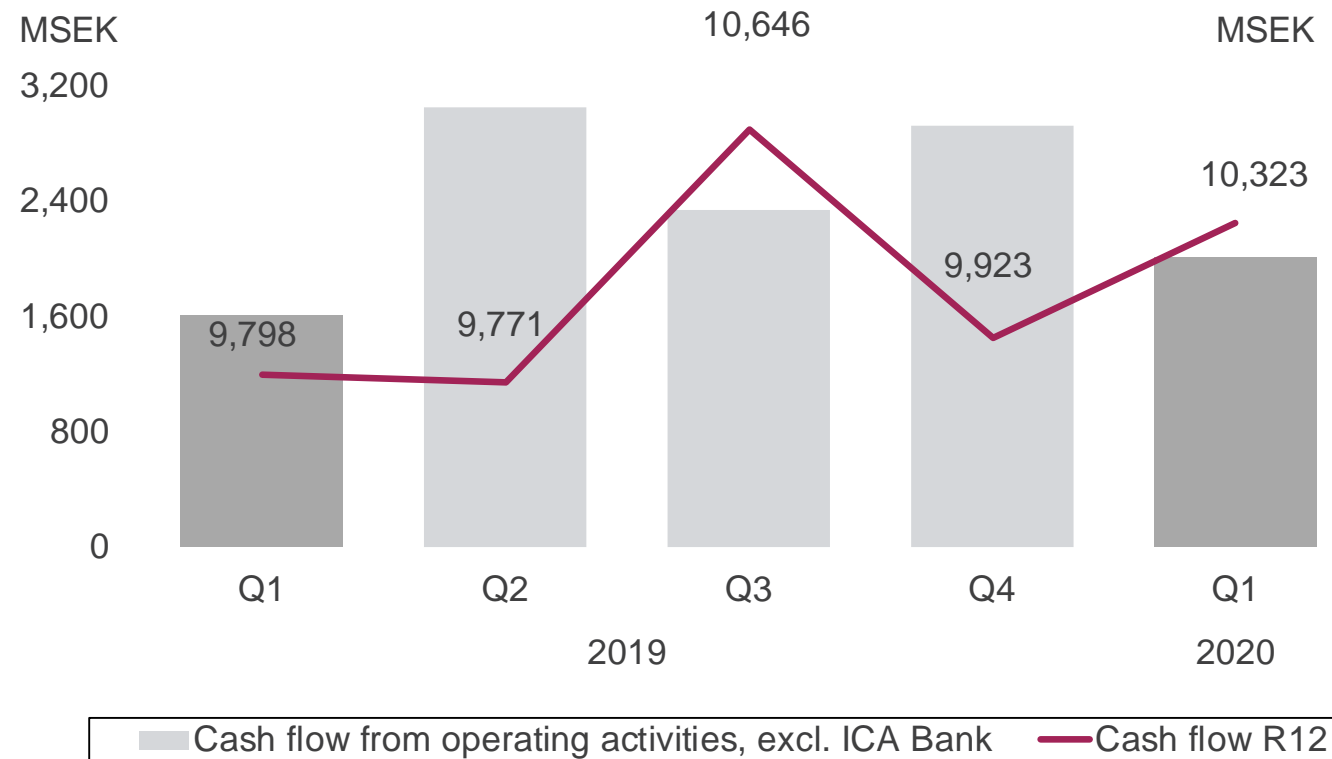


# Volumes boosting cash-flow

Operating cash-flow higher than LY:

- Positive volume effects
- Paid tax higher

## Cash flow (excl. ICA Bank)



# Net debt down

Net debt improving with underlying cash-flow

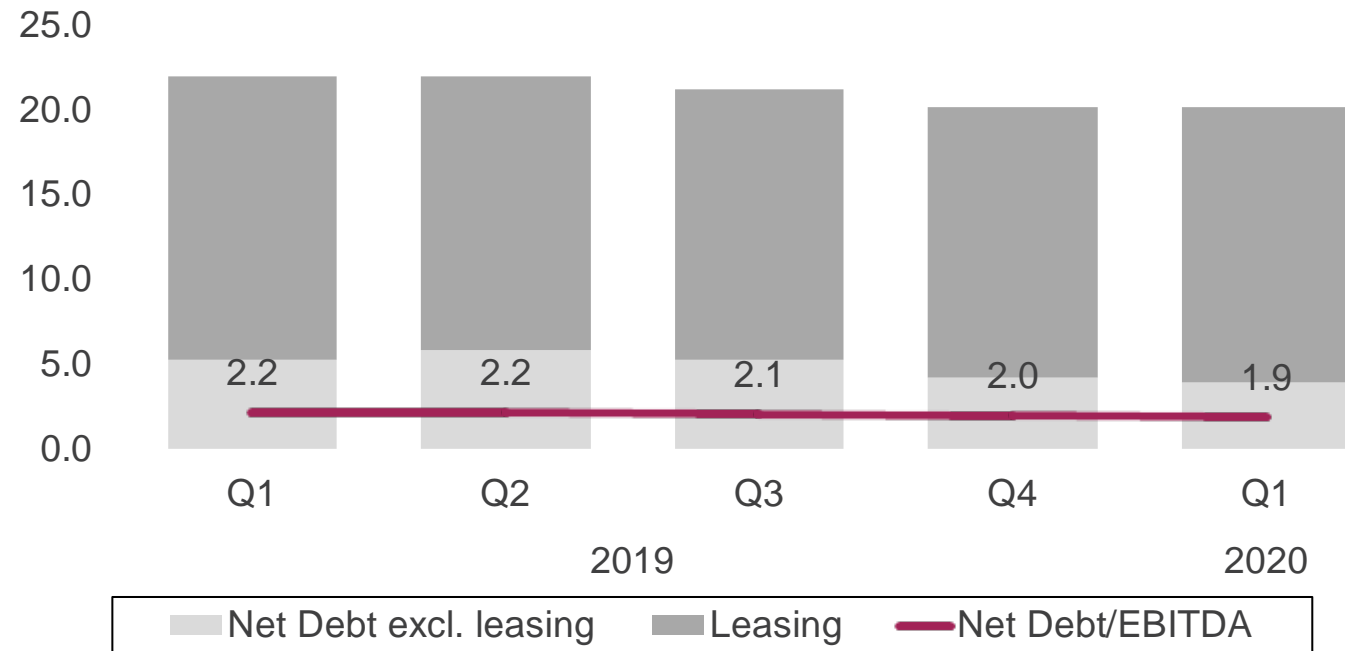
Net debt ratio 1.9x, with high impact from IFRS16 accounting

IFRS16 adds SEK 16.2 billion to net debt as per Q1 2020



## Net debt

MSEK



# Long term financial targets

Targets	R12 (31 Mar 2020), %	Long-term targets, %
Grow faster than market <sup>1</sup>	Sweden ● Baltics ● Pharmacy ●	All markets
EBIT margin excl. non-recurring items	4.6	4.5
ROCE <sup>2</sup>	8.2	7.5
Net debt/EBITDA <sup>3</sup>	1.9x	<3.0x
Dividend <sup>4</sup> (% profit of the year 2019)	70	At least 50

The changeover to IFRS 16 impacts EBIT margin, ROCE, Net debt/EBITDA and dividend ratio

<sup>1</sup> Swedish and Baltic growth based on latest definitive market data (Sweden Q1 2020, Baltics Q4 2019)

<sup>2</sup> Excluding ICA Bank

<sup>3</sup> Interest-bearing liabilities excluding pensions and ICA Bank minus cash and cash equivalents in relation to EBITDA, operating income before depreciation and impairment

<sup>4</sup> Half of the dividend decided by the AGM 21 April, 2020. Intention to have an Extraordinary General Meeting decide on a second payment in the autumn



# Outlook and Summary

# Covid-19 impact on ICA Gruppen retail businesses in Sweden, Baltics and pharmacy

## Short-term and during most intense phase

- Hoarding (March)
- Quarantine effects, reduced footfall in shopping malls, border trade, office areas
- Shift from eating “away from home” to “at home” i.e higher grocery store spend
- Channel shift to online. New customer groups

## Mid- and long-term

- Different shopping patterns – store network/ format mix. Proximity more important
- Travel patterns, limited vacation abroad
- Macro becoming more challenging, price in focus
- Increased attention to health (Sweden) and local fresh food

# Covid-19 and impact on ICA Gruppen Real Estate and Bank

## Real Estate, Sweden and Baltics

- Portfolio very focused on grocery retail
- Limited exposure to non-grocery, less than 10% of rental income
- Grocery stores in “bad” quarantine locations could add to risk
- Also a risk in Rimi Baltic for non-grocery lessees. Small impact in Q1 that could be repeated

## ICA Bank

- Credit loss impact in Q1 based on current knowledge and assessment. Mitigation actions in place to reduce risk
- Business volumes possibly negatively impacted by lower consumption



# Outlook



## ICA Sweden

- No substantial covid-19 hoarding effects going forward
- Continued ramp-up of e-commerce warehouse and establishing new e-commerce warehouses
- Continued investments in digitalisation and business development
- 8-10 store openings in 2020 with focus on large cities

## ICA Real Estate

- Increase our presence in metropolitan areas through land and property banking
- Covid-19 risk related to non-grocery tenant rents

## Rimi Baltic

- Reversed hoarding effect expected
- Extract further cost efficiencies within distribution and logistics
- Increase capacity in e-commerce
- Extend assortment of convenience and meal solutions
- Investing in preparations for Lidl entry
- 16-18 store openings in 2020

## ICA Bank

- Set-up of new mortgage joint venture
  - Short term negative impact on mortgage commissions during transition phase
- Increased repo rate positive for 2020

## Apotek Hjärtat

- Reversed hoarding effect expected
- Priority to handle increased online volumes and improve efficiency
- Min Doktor digital visits will increase, lower number of physical visits to clinics due to covid-19
- 6-8 new pharmacies in 2020

## ICA Gruppen

- Group costs guidance MSEK 450 FY
- Group capex guidance 2020 after DC acquisition, from SEK 4bn to SEK 5bn

# In brief

Strong sales growth in stores and online

EBIT increased in all segments except ICA Bank

Extensive activity to support and facilitate during covid-19 pandemic



# Thanks!

2020-04-29

# Disclaimer

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